

(d) The manufacturer must establish and adhere to timely and efficient procedures for internal reporting of potential security weaknesses. The manufacturer is required to submit a copy of internal reporting procedures and instructions to the Postal Service for review.

(e) Authorized postage meter manufacturers and distributors, and their agents and employees, must not intentionally misrepresent to customers of the Postal Service decisions, actions, or proposed actions of the Postal Service respecting its regulation of postage meters in the United States. The Postal Service reserves the right to suspend and/or revoke the authorization to manufacture and/or distribute postage meters throughout the United States or in any part thereof under § 501.5 when the manufacturer, distributor, or agent or employee of either fails to comply with this requirement.

[60 FR 30726, June 9, 1995, as amended at 70 FR 1349, Jan. 7, 2005]

§ 501.14 Administrative sanction on reporting.

(a) Notwithstanding any act, admission, or omission by the Postal Service before June 30, 1995, an authorized postage meter manufacturer may be subject to an administrative sanction for failing to comply with § 501.13.

(b) The Postal Service shall determine all costs and revenue losses measured from the date that the manufacturer knew, or should have known, of a potential security weakness, including, but not limited to, administrative and investigative costs and documented revenue losses that result from any meter for which the manufacturer failed to comply with any provision in § 501.13. The Postal Service shall recover any and all such costs and losses (net of any amount collected by the Postal Service from the licensees or meter users) with interest by issuing a written notice to the manufacturer setting forth the facts and reasons on which the determination to impose the sanction is based. The notice shall advise the manufacturer of the date that the action takes effect if a written defense is not presented within 30 calendar days of receipt of the notice.

(c) The manufacturer may present the Postal Service with a written defense to the proposed action within 30 calendar days of receipt. The defense must include all supporting evidence and state with specificity the reasons for which the sanction should not be imposed.

(d) After receipt and consideration of the defense, the Postal Service shall advise the manufacturer of the decision and the facts and reasons for it; the decision shall be effective on receipt unless it provides otherwise. The decision shall also advise the manufacturer that it may, within 30 calendar days of receiving written notice, appeal that determination as specified therein.

(e) The manufacturer may submit a written appeal to the Postal Service within 30 calendar days of receipt of the decision. The appeal must include all supporting evidence and state with specificity the reasons that the manufacturer believes that the administrative sanction was erroneously imposed. The submission of an appeal stays the effectiveness of the sanction.

(f) The imposition of an administrative sanction under this section does not preclude any other criminal or civil statutory, common law, or administrative remedy that is available by law to the Postal Service, the United States, or any other person or concern.

§ 501.15 Materials and workmanship.

All meters must adhere to the quality in materials and workmanship of the approved production model and must be manufactured with suitable jigs, dies, tools, etc., to ensure proper maintenance and interchangeability of parts.

§ 501.16 Breakdown and endurance testing.

Each meter model proposed for manufacturing must pass without error or breakdown the following described printing cycle endurance test, which includes operation of the printing mechanism with proper registration of the selected postage value in both the ascending and descending registers. At reasonably frequent intervals, the manufacturer must take meters at random from production and subject them to breakdown tests to make certain

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that quality and performance standards are maintained.

(a) For meters that operate at 100 or more printing cycles per minute—4 million cycles. For meters that operate at less than 100 printing cycles per minute (and cannot be used interchangeably on power-base machines that operate at 100 or more printing cycles per minute)—2 million cycles.

(b) For multidenomination and omnidenomination meters, postage value selection elements must be tested for one-half million operations. A complete operation includes selection of a value and return to zero.

(c) Balance register lockout operation must be done at the start of, at intervals during, and after the printing cycle test.

§ 501.17 Protection of printing dies and keys.

During the process of fabricating parts and assembling postage meters, the manufacturer must exercise due care to prevent loss or theft of keys or of serially numbered postage-printing dies or component parts (such as denomination-printing dies, or auxiliary power supply and meter-setting equipment for electronic meters) that might be used in some manner to defraud the Postal Service of revenue. All serially numbered printing dies produced should be accounted for by assembly into meters or by evidence of mutilation or destruction. Postage printing dies removed from meters and not suitable for reassembly must also be mutilated so that the dies cannot be used or they must be completely destroyed.

§ 501.18 Secure destruction.

(a) Authorized meter manufacturers/distributors may destroy meters, when required, in accordance with methods approved in advance by the manager of Postage Technology Management. The postage meter must be rendered completely inoperable by the destruction process and associated postage-printing dies must be destroyed in accordance with § 501.17. Manufacturers/distributors must submit the proposed destruction method; a schedule listing the meters to be destroyed, by serial number and model; and the proposed time and place of destruction to the manager of

Postage Technology Management for approval prior to any meter destruction. Manufacturers/distributors must record and retain the serial numbers of the meters to be destroyed, and provide the list in electronic form in accordance with Postal Service requirements for postage meter accounting and tracking systems. Manufacturers/distributors must give sufficient advance notice of the destruction to allow the manager of Postage Technology Management to schedule observation by Postage Technology Management or its designated representative. The Postal Service representative must ensure that the serial numbers of the meters destroyed are the same as the serial numbers recorded by the manufacturer/distributor on the list of destroyed meters, and that the destruction is performed in accordance with a Postal Service-approved method or process.

(b) These requirements for meter destruction apply to all postage meters, postage evidencing systems, and postal security devices included as a component of a postage evidencing system.

[66 FR 55097, Nov. 1, 2001]

§ 501.19 Destruction of meter stamps.

All meter stamps printed in the process of testing dies or meters must be collected and destroyed daily.

[60 FR 30726, June 9, 1995. Redesignated at 66 FR 55097, Nov. 1, 2001]

§ 501.20 Inspection of new and rebuilt meters.

All new and rebuilt meters must be inspected carefully before leaving the manufacturer's meter service station.

[60 FR 30726, June 9, 1995. Redesignated at 66 FR 55097, Nov. 1, 2001]

§ 501.21 Keys and setting equipment.

The meter manufacturer must furnish keys and other essential equipment for setting the meters to all post offices under whose jurisdiction its meters are licensed for use. These items must be protected and must not be furnished to persons not authorized by the Postal Service to possess them. The Postal Service shall maintain control over the procurement, manufacture, and distribution of meter security seals. Manufacturers must reimburse